
TECHNICAL HANDBOOK FOR
ENVIRONMENTAL HEALTH AND ENGINEERING
VOLUME VI - FACILITIES ENGINEERING
PART 70 - ADMINISTRATION AND MANAGEMENT

CHAPTER 70-3 FINANCIAL MANAGEMENT

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70-3.1 INTRODUCTION

- A. All facilities engineering programs require expenditures for the upkeep of property and equipment. Each activity associated with the facilities program has a dollar value for a given year. In reality there are limits to the availability of resources for maintenance. Applying these limited resources to the greatest benefit is the responsibility of the facilities manager.
- B. The cost of all activities must be understood and predicted as far in advance as possible in order to exercise reasonable control over the facilities program. One essential element needed to establish a recurring budget is a historical base. If the amount of funds spent in each activity the prior year is known, the facilities manager could reasonably estimate the cost for the following year with adjustments for known or suspected factors. When the activities are predicted, the facilities manager is able to make reasonably accurate decisions regarding the work that can be done, must be done, or that which can be delayed. Budgets are prepared for an annual operating cycle.
- C. Cost accounting for each category provides data which can be used to estimate whether year-to-date activities are proceeding within budgets. Budget planning is based on the Federal fiscal year which spans October 1 of each calendar year to September 30 of the following calendar year. The total amount of all known activities that must be accomplished in addition to the estimate of those which may occur is the facilities budget for a given year.
- D. The mastering of an effective budgeting and accounting program is essential not only for day-to-day operation but the long range

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success of the facilities department. There are many methods that can be used but the end result must be the same. Identifying the financial needs, documenting and requesting appropriate funding, adjusting to what was assigned and living within the budget is good management.

70-3.2 BUDGET PROCESS

- A. Federal Budget - The Federal budget is based on a three phase cycle. Phase I, the budget formulation phase requires two years to accomplish. Phase II, the budget execution phase requires one year. Phase III, the budget review and audit phase occurs beyond the budget year. The magnitude and complexity of the government requires that the Federal budget take three years to process. Facilities managers need to be aware of the budget formulation and budget execution phases only. In or for the short term facilities managers are only concerned with formulating a budget one year at a time through submission of the Facilities Engineering Program Plan (FEPP). This document is submitted annually and due in Headquarters August 1 of each year. It outlines the estimated requirements for the following year. However, in the long term facilities managers need to be aware that the Federal budget calendar operates on a three year cycle. Other activities that he/she may interface with (e.g. new facilities, high cost equipment replacement) require knowledge of the overall Federal budget due to the length of time that is necessary to approve and fund a project.
- B. Facilities Service Unit Budget - Each service unit prepares a FEPP which outlines the various elements which make up the facilities operations and maintenance budget for a particular service unit. This request contains the facilities needs for all installations under the jurisdiction of each service unit or eligible tribal installations. Volume VI, Part 71 of this handbook is dedicated exclusively to the FEPP guidelines, requirements, and instructions for submission.
- C. Facilities Area Budget - Each Area office prepares a consolidation of all the FEPP requests received through the service units and eligible tribal installations under its jurisdiction. Since requests typically exceed the congressional appropriation, the requests are prioritized at the Area level as the approved funding is not known at the time of the program plan preparation. Headquarters advises that your plan should be based

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on the previous year's funding plus an escalation amount which the Areas are informed of on an annual basis. Routine activities such as bench stock, real property equipment replacements, training, local projects, and service contracts for each service unit or eligible tribal installations are guaranteed. The distribution of the routine activities is determined before the construction projects are selected. When the approved budget allocation is known, the balance of the funding, after the routine activities portion is distributed, is used to fund high priority projects.

70-3.3 APPROPRIATIONS

The IHS financial management system includes the following appropriations and activities which are used, in part, to administer the facilities engineering program.

A. Hospital and Clinics (H&C)

Appropriation Number 75_0390

Budget Activity: Clinical Services, IHS Operated

Subactivity: IHS Health Delivery

Sub-subactivity: Hospital and Clinics (H&C)

- (1) The blank space in the appropriation number shown above is the last digit of the fiscal year when the appropriation was approved by Congress (i.e., for fiscal year 1991 the appropriation number is 7510390). This funding must be obligated during the fiscal year it is appropriated or it will be withdrawn back to the Federal treasury. Tribal facilities under P.L. 93-638 contracts however, can carry over H&C funds. Carry over means the funding can be continued to be utilized until it is all expended.
- (2) This sub-sub-activity is utilized by the facilities engineering program for the purchase of replacement or new additional personal property equipment (e.g., lawn mowers, snow blowers, window air conditioners, dishwashers.)

B. Indian Health Facilities

Appropriation Number 75X0391

- (1) **Budget Activity: Maintenance and Improvement**

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- a. The X in the appropriation number is the last digit of the fiscal year when the appropriation was approved by Congress. This funding is often referred to as X funds. This funding can be carried over from year to year until it is completely obligated. It is not withdrawn back to the Federal treasury at the end of the fiscal year it was appropriated.
- b. The facilities engineering program utilizes funding for this activity for:
- Maintenance and repair of the real property, e.g., service contracts, parts, bench stock (supplies and materials), and expendable tools required to perform the duties of the facilities employees.
 - Training (including travel and tuition) of maintenance personnel in topics which are directly related to the performance of duties in maintenance and repair of the real property.
 - Improvement projects which expand real property building systems, e.g., electrical, plumbing, fire protection. Program improvements accomplished with this funding are limited to 5% of the funds earmarked for construction projects.
- c. M&I funds may **NOT** be expended for the maintenance and repair of personal property equipment, for salaries of permanent and temporary staffing, or for expenditures of operational activities.
- (2) **Budget Activity: Facilities and Environmental Health Support**

This budget activity provides funds for all environmental health and engineering support functions at Headquarters, Engineering Services Dallas/Seattle (IHS only), Area offices, district offices, and service units. This funding is distributed by IHS Headquarters Division of Facilities and Environmental Engineering (DFEE) to the Areas into the following subactivities:

- Facilities Support

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- Environmental Health Support
- OEHE support

The facilities support portion is utilized at the service unit for the following expenses:

- a. Salaries for employees in the facilities program.
- b. Utilities
- c. Personal property clinical equipment repair parts, materials, and service contracts
- d. Some personal property non-clinical equipment repair parts, materials, and service contracts (e.g., dishwashers, bed pan washers, sterilizers).

NOTES:

- 1) Communication (telephone) and computer systems repair parts, materials, and service contracts are included under the H&C sub-subactivity.
- 2) Some funds for b, c and d above were transferred to the facilities support sub-activity in FY 1992, however, not all expenses were identified at that time. A plan is under effect to accurately identify all the expenses so that adequate funding is transferred to the facilities support sub-activity. During this transition period any shortage of funds in the facilities support sub-activity is covered by the hospital and clinics (H&C) sub-activity.
- e. Operational activities such as the handling and disposal of solid and hazardous wastes; pest control (not required for structural protection of a facility); the upkeep of grounds (mowing and trimming, application of fertilizers and chemicals, snow and ice removal, pavement sweeping, etc.); and the supplies and materials related to these "operational" activities such as the costs of chemicals, fuels, and lubricants.

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C. Medicare/Medicaid (M&M)

Appropriation number 75_/_0390

Budget Activity: Medicare/Medicaid (M&M)

- (1) This funding must be obligated within three years. The blank spaces in the appropriation number are the last digits of the first and third fiscal year during which the funds must be obligated.
- (2) Appropriation language normally permits the IHS to utilize M&M reimbursements to perform repairs to correct deficiencies listed by Medicare/Medicaid inspections and to comply with accreditation requirements. M&M funds may be utilized for new facilities or major renovation projects within certain limitations. See Volume III, Part 26- Construction Funding Sources, of the Technical Handbook series for more specific limitations on the use of M&M funds for construction.

D. Quarters Return (QR)

Appropriation number 75X5071

Budget Activity: Quarters

- (1) Funds collected from rents and other charges for the occupancy of Government quarters are deposited into a special QR fund. The "X" character in the appropriation number stands for no year funds which allows them to be carried over from one fiscal year to the next. It is IHS policy that QR funds will be returned to the Area Office from which they were collected. Up to ten percent of funds collected in an Area may be transferred to another Area at the discretion of the Director IHS.
- (2) The following are allowable and non-allowable uses of QR funds as they relate to the facilities operations and maintenance program:
 - a. QR funds may be expended only for the maintenance and repair (including alterations) of quarters. If a quarters unit is not being utilized as a quarters (e.g., a quarters unit has been converted into an administrative office), QR funds may not be used for the maintenance and repair of this unit.

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- b. Appliances, furnishings, etc. required for units designated as quarters may be purchased with QR funds.
 - c. QR funds may be utilized to train (including travel and tuition) personnel in topics which are directly related to the Quarters Management Program.
 - d. QR funds may be used to hire permanent or temporary employees to perform work directly related to the Quarters Management Program. If the employees do not perform the work full time the salary must be prorated and written documentation showing the analysis must be kept on file by the facilities manager.
- (3) QR funds may be used for overhead directly associated with the Quarters Management Program. If overhead is shared among several programs or functions in addition to quarters, the overhead attributable to the Quarters Management Program must be documented and prorated equitably.

70-3.4 COST ACCOUNTING

- A. Fund Control Points - The facilities budget should be managed by separate accounts, each corresponding to the funding authorization.

These accounts should be assigned as follows:

Maintenance and Improvements	M&I
Quarters Return	QR
Medicare and Medicaid	M&M
Facilities Support	FS

- B. Activity Codes - Each of these accounts should be kept on a separate commitment register to allow tracking of account funds. Within each account are numerous activities which are unique in identifying facilities engineering workload and historical data.

70-3.5 FORECASTING A BUDGET

- A. Utilities - Consumption of each utility should be tracked historically by magnitude and cost. It should be reviewed for past years and estimated for future years for budgeting purposes. A tabulated historical data base should be kept on each utility

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by month.

The following considerations should be analyzed:

- (1) Increase or decrease in building space which could affect utility usage.
- (2) Addition of any high energy usage equipment.
- (3) Implementation of energy conservation projects or actions which might reduce utility costs.
- (4) Local utility companies should be contacted to obtain anticipated rates for the coming year. After the above data is reviewed each utility should be estimated by consumption and cost.
- (5) Verification of utility invoice.
- (6) Reading of meters by facilities personnel.

B. Routine Maintenance - An analysis of the adequacy of the previous year funding and any shortages which should be re-evaluated. Consideration should also be given to:

- (1) New or additional real property equipment or systems that may require additional maintenance.
- (2) New or additional real property equipment that has been installed which will be off warranty from the next year and will require a service contract.
- (3) Review of the PM schedule to evaluate if such real property equipment should be performed on contract due to lack of or recent reduction in maintenance staffing. Consider additional non-maintenance duties recently added which will affect the workload previously accomplished.
- (4) Major repairs to the real property which may require a project.
- (5) Adequacy of bench stock funding which may need to be altered due to changes resulting in current routine maintenance and the amount of emergency maintenance.

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- (6) Review of existing service contracts for real property equipment that may need to be added because warranties expired. Equipment that should be deleted from contract because it will be turned in for disposal.
 - (7) Staff training needs that require scheduling due to new equipment technology, new employee orientation, etc.
 - (8) Review the real property equipment five year replacement schedule to determine if any high cost items are scheduled for replacement.
 - (9) Customary or anticipated overtime needs must be evaluated for inclusion.
- C. Construction - An analysis of the Facilities and Equipment Deficiency System (FEDS) data bank should be performed to determine which task or tasks need to be combined to generate projects. In addition, consideration should be given to ensuring that projects are scheduled for design one fiscal year and construction accomplished the following year. This will allow flexibility in "phasing" project A/E and construction over two fiscal years instead of one. Procurement timing constraints make it impossible to advertise, select and award A/E and construction the same fiscal year.
- D. Facilities Support - An analysis of the previous year expenditure should be conducted. Consideration should be given to:
- (1) Service contracts such as pest control (non structural), snow removal, grounds upkeep, sweeping of parking lots, personal property, water softening.
 - (2) Purchase of chemicals and supplies that are not an eligible expenditure of M&I funds, e.g., boiler/cooling tower chemicals.
 - (3) Temporary staffing that may be required to accomplish scheduled work for the coming year.
- E. Quarters - An analysis of the adequacy of funds available the previous year and any shortages should be conducted. Consideration should be given to:
- (1) New or additional equipment (building service and/or

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personal property) which may require additional maintenance.

- (2) New equipment that is being installed which will be off warranty from next year on and will require a service contract.
 - (3) Complex equipment that is being installed which will require a service contract to maintain.
 - (4) Review of the PM schedule to evaluate if such equipment should be performed on contract due to lack of or recent reduction in maintenance staffing. Consider additional non-maintenance duties recently added which will affect the workload previously accomplished.
 - (5) Major repair to the real property which will require a project.
 - (6) Adequacy of bench stock funding which may need to be altered due to changes resulting in current routine maintenance and the amount of emergency maintenance.
 - (7) Review of existing service contracts for equipment that may need to be added because warranties expired. Equipment that should be deleted from contract because it will be turned in for disposal.
 - (8) Staff training needs that require scheduling due to new equipment technology, new employee orientation, etc.
 - (9) Review of maintenance staffing and workload to evaluate the need to hire temporary labor to perform some or all of the quarters maintenance; or a decision to use service contracts.
 - (10) Review of existing service contracts.
- F. Medicare and Medicaid - Although IHS Headquarters DFEE/FEB is not the approving authority for expenditure of M&M funding, proper utilization of their intent needs to be considered.
- G. Staffing - Good budgeting requires that an analysis of staffing requirements for the facilities management program be conducted to compare required staffing against the available assigned staffing. This analysis enables the determination of budget

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parameters which affect the program. Requests for temporary staffing or service contracts to accomplish the workload must be incorporated into the budget.

70-3.6 FUND OBLIGATIONS

A. Department of Health and Human Services Purchase/Stock Requisition Form HHS 393

This is the form used in IHS to requisition supplies, materials, equipment and services. The procurement department issues a purchase order based on the requisition information submitted by the Facilities Manager. An entry must be made for each requisition in a commitment register kept for each fund control activity.

B. Issue Books - Issues procurement is used to obtain frequently used GSA supplies stocked in a central warehouse. The issue book can be utilized weekly, monthly or quarterly. The supply department is responsible for procurement of the supplies for your department. The issue book is completed and submitted in lieu of an HHS 393 requisition. Your appropriate fund control account is charged by the finance department upon your receipt of the items ordered.

C. Blanket Purchase Orders - This method of procurement allows the purchase of small miscellaneous items with local vendors against pre-approved purchase orders issued by the procurement department. Blanket purchase orders are drawn against an approved ceiling and are invoiced on a pre-arranged cycle, e.g. monthly, quarterly. Receiving reports signed by the employee picking up the material must be returned to the Facilities Manager to account for all transactions when the invoice is received.

D. Bill of Collection SF 1114 - This completed form is issued to charge employees or vendors for costs due the government, e.g., damage to real property. Bills of collection are numbered by the fiscal year in which they are issued. Bills of collection are sent to the finance department for appropriate action.

E. Unauthorized Purchases - Procurement employees are the only individuals authorized to commit the government for purchase of supplies or services from commercial firms. Other IHS employee

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making unauthorized commitments may be held liable for the amount of the obligation. Any individual who makes an unauthorized purchase should furnish the procurement office with all records and documents concerning the purchase, including a detailed explanation and justification for the purchase. The Purchasing Officer will review the information and forward a recommendation to the SUD for disposition.

- F. Unforeseen Events - Alternate Planning - At times, no matter how well you have planned, unanticipated events occur. For example, a critical piece of equipment fails and there are no funds in your local budget to cover the repair or replacement of the equipment. A plan of action needs to be developed to correct the situation.

The plan may come from several points:

- (1) If the repairs are appropriate to the expenditure or M&I funds the Facilities Manager must contact the Area Facilities Engineer and request supplemental funding.
- (2) You may decide that the repairs can be postponed until the beginning of the next fiscal year when funding of M&I is again available.
- (3) You may decide that the repairs are significant enough to elect to postpone an approved and funded project and use those funds to correct the situation.
- (4) If the repairs are not appropriate for the expenditures of M&I funds you must discuss the situation with your Finance Officer and your SUD to utilize other legal funding sources.
- (5) In all cases you must keep your supervisor, the SUD and the AO apprised of the situation. It is important to remember that the decision for the action plan must be discussed with and understood by all parties involved.

70-3.7 ELIGIBILITY OF FUNDS

- A. The methodology used to calculate and distribute the M&I funding to each eligible facility is based on the "Oklahoma" formula and modified as required. The formula was developed at the University of Oklahoma to calculate the annual funding needed to

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maintain a facility. The calculation of the allocation for each installation is described in detail further in this chapter. Abbreviations used for terms in this section may represent headings used to designate terms in tables or exhibits or correspond to abbreviations used in the FEDS database.

- B. Table 3-7 outlines the eligibility for M&I funds based on facility ownership and operator of the program.
- (1) Tribal owned facilities leased by the IHS are not eligible for projects if the lease includes a "sinking fund" for building improvements, and replacements.
 - (2) "Contract" - Indicates a P. L. 93-638 contract for the operation of an IHS health program.
 - (3) "437 Lease" - Indicates a P. L. 94-437 lease between the IHS and a tribe. Facilities leased under this type of lease are eligible for M&I, however, the lease will be offset by the amount of M&I funding (not to exceed 50% of the amount calculated by the Oklahoma Formula) allocated. The balance will be funded from the same source as the lease. The lease shall not include any cost for improvement, depreciation, or capitalization, since the space will be eligible for projects from the IHS.
 - (4) "Lease" - A lease between the IHS and a third party.
 - (5) "Third Party Lease" - A tribe leasing space from another tribe is considered a third party lease. The lease with a third party will include all maintenance, depreciation, and capitalization costs for the space and will not be eligible for any additional separate M&I funding.

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TABLE 70-3.7
FUNDING ELIGIBILITY

TYPE CODE	FUNDING FOR PROGRAM	OWNER OF BUILDING	OPERATOR OF PROGRAM	TYPE	SOURCE OF FUNDS		ELIGIBILITY FOR M&I AREA PROJECTS
					M&I	FS	
A	IHS	IHS	IHS	DIRECT	YES	YES	YES
B	IHS	IHS	TRIBE	CONTRACT	YES	YES	YES
C	IHS	TRIBE	IHS	437 LEASE	YES	NO	YES
D	IHS	TRIBE	TRIBE	CONTRACT	YES	NO	YES
E	IHS	THIRD PARTY	TRIBE	CONTRACT	NO	NO	NO
F	IHS	THIRD PARTY	TRIBE	VBC LEASE (1)	NO	NO	NO
G	IHS	IHS	TRIBE	COMPACT	YES 100% (2)	NO	NO
H	IHS	IHS	TRIBE	COMPACT	YES (2)	YES	YES
I	IHS	TRIBE	TRIBE	COMPACT	YES (100%)	NO	NO
J	IHS	TRIBE	TRIBE	COMPACT	YES (2)	NO	YES
K	IHS	THIRD PARTY	TRIBE	COMPACT	NO	YES (LEASE)	NO

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FOOTNOTES FOR TABLE 3-7

- (1) "VBC" - indicates the village built clinics leasing program in the IHS Alaska Area.
- (2) Tribes entering into compacts may take 100% of their M&I funds allocation or they may elect to remain in the project pool and take only routine maintenance and local project funds.

70-3.8 DISTRIBUTION OF FUNDS

- A. The formula used to calculate the M&I funding for each eligible facility is as follows:

Maintenance Allocation = (Location Index) x (Hanscomb Value) x (Escalation Rate) x (Actual Square Feet) x (Construction Type) x (Intensity)

This calculation is performed at Headquarters and is applied to each individual health care related building at each installation. Quarters are not included because it is assumed that maintenance for quarters is provided with "Quarters Return" (QR) funds.

- B. The Areas should update and submit the M&I.DB and associated look-up tables to Headquarters. The M&I.DB table is a Paradox 3.5 database file that contains the information necessary for Headquarters to calculate the maintenance allocation for each eligible facility. Hard copy submissions are not required. The submission should be in an electronic format, 3.5" floppy disk. The disk should be clearly labeled (Example: "Albuquerque M&I table, 7/23/93").

70-3.9 UTILIZATION OF FUNDS

The following guidance should assist you in determining the appropriate utilization of the various funds used by the facilities program.

- A. Maintenance and Improvement (M&I)

Funds must be used only for repairs, (parts and services) of real property and real property equipment (building service equipment).

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Real Property (Real Estate) - Buildings, grounds, walks, yards, driveways, fences, parking lots, trees, shrubs, lawn, culverts etc. and all items that are an integral parts of the real property.

Types of Real Property (Not Inclusive)

Hospital Buildings and Yards	Walks
Clinic Buildings and Yards	Driveways
Office Buildings and Yards	Garages
Quarters Buildings and Yards	Fences
Storage Buildings and Yards	Flagpoles
Modular and Trailer Buildings	Utility Sheds
Streets and Parking Lots	Trees
Cabinets (Built-In)	Shrubbery

Types of Building Service Systems/Equipment (Not Inclusive)

Sewage Systems
Potable Water Systems
Natural Gas or Propane Systems
Normal and Emergency Power Electrical Systems
Building/Grounds Lighting Systems (Interior/Exterior)
Furnaces (for building heat)
Air Conditioning Systems
Building Ventilation Systems
Steam Systems (for building heat or hot water)
Plumbing Systems (includes fixtures)
Fuel Tanks and Delivery Systems (for utilities)
Air Compressor Systems (for HVAC control air only)
Medical Gas Systems (Piping and valves in the walls only)
Fire Alarm Systems
Fire Protection Sprinkler Systems
Lawn Sprinklers
Chillers
Chilled Water Systems
Packaged HVAC Units (Ducted)
Garbage Disposal Units
Water Heaters (for utility systems)
Boilers

Types of Real Property Service Contracts (Not Inclusive)

PM of Real Property
Inspections of the Real Property

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Testing of Real Property Equipment
Pest Control (Termite protection for buildings only)

B. **Facilities Support**

Funds must be used only for purchase of parts, materials, repair services and service contracts of clinical and some non-clinical personal property and operating supplies. Some personal property such as computers and telephone equipment is not included in the facilities support activity but rather in the H&C activity. Replacement of existing or new additional personal property although repaired with M&I must be replaced or added with H&C funds.

Personal Property - This is all property that is not real property and includes all items that would be removed from a building if it were vacated or its occupancy classification changed (i.e., hospital to warehouse).

Types of Personal Property Service Contracts (Not Inclusive)

PM of Clinical Equipment
PM of Non-Clinical Equipment
Pest Control Services (for infection control protection)
Lawn Mowing
Snow Removal
Sweeping of the Parking Lots
Fire Extinguisher Testing and Inspections

Types of Personal Property Items (Not Inclusive)

Fire Extinguishers	Ice Makers
Lawn Mowers	Portable Partitions
Tools (over \$300)	Power Clinical Equipment
Safety Glasses	Dental Equipment
Gloves	Radiology Equipment
Cooking Ranges	Portable Ventilation
Rugs	Refrigerators
Cars, Vans, Trucks	Window Air Conditioners
Cabinets (removable; pharmacy, lab)	
Bottle Gases (i.e., Acethelyne)	
Portable Light Fixtures	

Operating Supplies and Materials - Supplies and materials used by facilities and clinical engineering personnel to conduct their

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duties and those required in the operation of buildings and vehicles.

Types of Operating Supplies and Materials (Not Inclusive)

De-Icer Salt	Insecticides
Soap	Towels
Office Supplies	Oil
Grease	Lubricants
Solvents	Plumbing Drain Cleaners
Incandescent Lamps	Fluorescent Lamps
Water Softener Chemicals	
Fuels (propane, fuel oil, natural gas, gasoline)	
Utility Services (Water, Sewer, Electricity)	
Cooling Tower Chemicals (for treatment of the system)	
Boiler Water Chemicals (for treatment of the system)	
Waste Removal (Solid/Infectious/ Hazardous/Kitchen Grease)	

Quarters Return

Funds can be used for the purchase of all real property and personal property; parts, materials, services and service contracts.